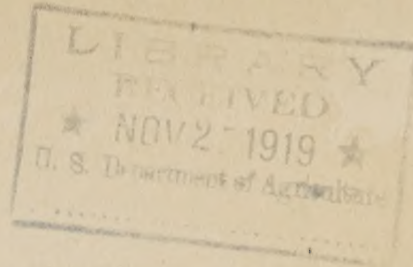


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Minutes of Conference Held at the Department of Agriculture,
Washington, D. C. to Consider Cost of Production of
Cottonseed Meal. All Producers of this Ma-
terial were Invited to be Present.

The Conference convened at 10. A. M., October 7, 1919
with Prof. Milton Whitney in the chair.

THE CHAIRMAN: The meeting will please come to order. This is a meeting called to consider the price and cost of production of cottonseed meal. I don't know how many of those present were here yesterday so I will repeat something of what I said yesterday with reference to it. The fertilizer industry of the United States used, in 1918 about 275,000 tons of cottonseed meal in their mixed fertilizers. The situation in the country, as you know, is quite disturbed. The Government is very anxious to maintain production and to lower the cost of living. It is up to us all to do what we can to steady things and bring prices down. The Department is concerned with the prospect that we will have of a lower acreage next year and consequently a lessened production. We are also concerned about fertilizer prices; fertilizer will be scarce and it will be high, and it will be an incentive to reduce the acreage. We want to do everything that we can to prevent that. I feel that the manufacturers of certain raw materials should do what they can to help lower the prices. And I want to appeal to you gentlemen, the manufacturers of cottonseed meal, the most important of the organic materials, to meet the Department and join with the Department in this effort to reduce costs. The Department is operating under a law of Congress and under a proclamation of the President, and under that law we are charged with the duty of being fair to the manufacturer as well as to the farmers. We are charged with allowing fair profit on the cost of manufacture. It is our wish, it is our purpose, it is our aim, to do nothing that will cripple any of the industries or any of the manufacturing businesses. We want to disturb them just as little as possible. I appealed to the manufacturers of other fertilizer materials yesterday to see if they could not operate under a reduced price of waste products, of tankage, dried blood and fish scrap. I want to appeal to you gentlemen also to do what you can, and I want to ask you if you can operate with a fair profit under a considerable reduction in price for cottonseed meal. Heretofore the price of the ammoniates has kept pace or has fluctuated with the price of ammonia in nitrate of soda. That has been the world commodity that is stabilized by the world, the price being generally fixed in

London, we will say. And while the price of ammonia in the nitrogenous materials has not been exactly the price of nitrate of soda, it has followed that price. Sulphate of ammonia, a close competitor of nitrate of soda, has followed the price of nitrate. It is a waste product, it is very difficult to say what it costs to produce sulphate of ammonia, and it is difficult to say in any of these products what elements of cost should be charged against one product and what elements against another product; wherever you have different things resulting from the handling of one substance it is very hard to apportion the cost so as to arrive at a fair conclusion. Now, cottonseed meal has also in the past followed in a general way the price of ammonia in nitrate of soda. I have a small chart here which any of you can see. In a general way for forty years and more the price of these commodities has followed a narrow path and they followed this up to the middle of 1917. From that point began a divergence. Nitrate of soda and sulphate of ammonia had increased, but in about the same proportion, and so had the organic ammoniates increased, but in about the same proportion. From that time on they diverged. The high point of nitrate of soda came in the middle of 1918, when we were in the war. After the signing of the armistice, nitrate of soda was stabilized at lower prices, ammonium sulphate followed it, so that it is now in approximately the same relative position, not the same actual position but the same relative position, that it held for the pre-war years. Some of these ammoniates, notably fish scrap and tankage, have gone still higher. Some of them are higher than they were during the war period. Cottonseed meal is higher, it is about as high as it ever has been. In accordance with a general plan of trying to adjust these things on some good basis, cottonseed meal as a by-product was selling during the period of 1913, 1914 and 1915 at \$3.04 a unit. It is now selling on an average of \$6.31 a unit. To take its place in its relation to nitrate of soda and ammonium sulphate it should be selling now at \$3.81 a unit. Now, I put it right up to you, can we make a reduction without seriously interfering with business? Before going on the Solicitor will speak to you for a moment.

THE SOLICITOR: Dr. Whitney has asked me to say a word to you along the lines of my statement yesterday morning. You gentlemen are no doubt familiar with the law, and under the law you are entitled to a "fair profit". The Department wants you to understand, and to understand thoroughly, that it does not wish to do anybody an injustice; it wants to do just what is right. You of course must realize that the officers of the Department have an administrative duty to perform, and in performing that duty you may rest assured they will do their best. They may make mistakes, because it is human to err, but I hope that they will not make a mistake. You gentlemen know that the country is today confronted with serious problems, problems as serious, if not more so, than have ever before confronted the country. It is time that there should be a pull all together, if such a

pull was ever desirable. It is necessary that the Government pull with manufacturing industries; it is necessary that the manufacturing industries pull with the Government; it is necessary that the Government do what is right and fair by the farmers; it is necessary that the farmers should lend to the Government their assistance, and at the same time they should pull with the manufacturers in order that we may all pull together and go over the top as one body. If a fair profit should be named for the products under consideration I can realize that it will be quite possible that some of you gentlemen may not make as much money as you might make otherwise, but, gentlemen, if the loss of a little extra money, allowing a fair profit, would result in increased production, that would be desirable. It has been the fear of the Department that if the farmer were confronted with the report that fertilizers would be unreasonably high, he would not plant the acreage that he ought to plant, there would be a decreased production, necessarily resulting in an increased cost of living. I think that every one of you gentlemen are intent on trying to reduce the high cost of living. We are all working toward the same end, the problem is how that desired end can be reached. Is it better to name a fair profit on the raw materials for fertilizers or is it more desirable that no fair profit should be named and rely on the ordinary laws of supply and demand? That is the question. It is a question of what is best to be done. The Department wants your counsel, it wants your advice; above all things it wants your good, sound, patriotic judgment, because, if the people of this country do not at this time exercise sound judgment, God help us! Realize, gentlemen, that we want to do what is right, and I hope you will help us to arrive at some proper determination of the question.

C O T T O N S E E D M E A L.

THE CHAIRMAN: The subject is open to discussion. We will be very glad to have a free discussion. The question is, What is the cost of producing cottonseed meal and whether under the conditions the concession we ask for can be made without disturbing these industries?

MR. H. E. WATKINS of Atlanta, Representing Cotton Oil Co.: The cotton seed oil business is a seasonal business, as you know, and in Georgia it is probable by this time that 50% of the cotton that will be grown has been ginned, and possibly 40% of the seed from that cotton has been purchased by the oil men. The report of the 25th of September, issued the 2nd of October, showed 539,000 bales of cotton ginned in the state of Georgia up to September 25th. We are figuring on a crop there of about a million and a half bales,--the government estimate goes a little higher. Therefore, cottonseed has been purchased from oil mills by farmers at an average price up to this time, I should say of about \$75 per ton delivered

in meal. When I left home on Saturday, the mills were paying as high as \$78.50 per ton f.o.b. shipping point, making delivery price at the mill about \$80 per ton

I understand that you want to get at the average cost of producing cottonseed meal. I have been in the business about 18 years. For eight years of that time, I have been traveling auditor for one of the large concerns and since then, have been acting operating head of my company in Georgia. To arrive at the cost of cottonseed meal, you have to take the cost of cottonseed delivered to your mill plus cost of converting seed into products. The Food Administration last year gave us a cost of \$75.50 to convert seed into products, including cost of bags. I doubt, owing to the increased cost of labor in our state, particularly, and which is general throughout the Southeast, that the mills, on account of the short crop this year can convert seed for less than \$17 per ton, therefore with your first cost of \$75 you have a gross cost of \$92 as being the cost of all the products. The present market for cottonseed oil, for the crude oil, is 17¢ f.o.b. mill point. From the analysis I have obtained, and we have every single car of seed we buy analyzed by chemists, the average available oil from those seeds is 42 gallons or 315 pounds. That gives you a value of \$53.55 for the oil in the seed. Figuring theoretically 575 lbs. of hulls at the market price of 40¢ per hundred lbs. or \$8 per ton, gives you \$2.30 as the value of the hulls. Figuring 90 lbs. of lint, and we do not know what we are going to get for it owing to the uncertainty of the quantity of lint now being held by the Government, we figure that 90 lbs. of lint will bring 3¢ or \$2.70 per ton. You might figure 60 lbs. at 5-1/2¢, but about \$2.70 is the value of the lint out of a ton of seed. That gives you the total value of the meal as \$58.55. That is what you can get for it today, Mr. Chairman.

THE CHAIRMAN: Is that the combined value?

MR. WATKINS: That is the combined value, that is, you have no deductions made by the refineries or people who buy our meal. That \$58.55 deducted from \$92 leaves \$33.45 as being the cost of the meal in a ton of seed. The production of meal this year is not over 890 pounds, we usually figure about 930, but the oil content is higher in some sections and generally higher, therefore 890 lbs of meal costs \$33.45. That gives you 1870 lbs. of products out of a ton of seed or 130 lbs. of waste, so that accounts for the whole 2000 lbs. in a ton of seed. That 890 lbs. costs \$3.758 per hundred lbs. or \$75.16 per ton or \$10.50 per unit of ammonia, basis of 7%. We are figuring on 890 lbs. of 7% ammonia meal. Now I do not know what you have in your mind as being a fair price, but gave you those figures because you asked us to discuss this matter.

THE SOLICITOR: If I have the right impression, you have in effect stated that the greater the amount of oil produced, the greater the cost of producing cottonseed meal. Is that correct? I got the impression that since this season carried more oil, it cost more to produce cottonseed meal.

MR. WATKINS: Well, it does. If you get only 40 tons of oil, you naturally would start off with 2000 lbs. of seed. You would get 2000 lbs. of product out of that seed less the foreign matter, which is usually $5\frac{1}{2}\%$. It averages about 125 to 135 lbs. working material. Cottonseed meal, Mr. Chairman, is selling in Georgia today at \$9.35 a unit and therefore as you made the statement just a moment ago that it was now bringing \$6.31, I do not know where you got these figures. One broker handled over 7,000 tons of meal Saturday and it sold on the basis of \$63.

THE SOLICITOR: Get me clearly. It occurs to me from a common sense standpoint that if the seed this season carried more oil than usual that the cost of producing the meal ought to be proportionately less. Is that common sense or am I far from the point?

MR. WATKINS: If the seed carried more oil, we would get less pounds of cottonseed meal and based on the cost of seed plus cost of converting, if you had less pounds, naturally the cost is higher.

THE SOLICITOR: But the meal is a by-product, is it not?

MR. WATKINS: You might say oil is a by-product of meal.

DR. ALSBERG: The point is, the valuable product is the oil? The more oil you get the more money you get.

MR. WATKINS: I have given, Mr. Williams, the full value of the oil, the market value of the oil today. Now oil has been selling as low as $15\frac{1}{2}\%$. It might have been lower than that. I know it has been sold quite freely at $15\frac{1}{2}\%$ per pound at South Savannah points. Seed has been as low as \$56. The crop down there is very short. That is a calamity. More than half of the State has mills that have closed down already for the season. They will not get 25% crush. The wet weather we had for over 60 days and the boll weevil have made the crop very short in that section.

THE SOLICITOR: Are the farmers selling their seed as well, compared with other years?

MR. WATKINS: Yes, selling it very readily. A very small percentage of the seed is held in the country by independent buyers or speculators as compared to what is usual because they are so high and the market has fluctuations.

MR. DIAL: Gentlemen, if the price is fixed on cottonseed meal it would disorganize everything very much, wouldn't it?

MR. WATKINS: Yesterday when the chairman made the statement here that it would be about two weeks before you made a decision, I wired my company immediately to retire from the seed buying because the intrinsic value of cottonseed is about that of meal. If you pay \$75 for seed you ought to get \$75 for the meal. We swap ton for ton to the farmer and he is satisfied.

THE SOLICITOR: Do you think that is quite fair to the farmer even if he is satisfied to give him a ton of meal for a ton of seed?

MR. WATKINS: I have shown you here that we are selling meal in the State at \$10 per ton less than it actually cost on the basis of today's market for cottonseed.

THE SOLICITOR: I do not know, but I have always rather felt that when a farmer is given only a ton of meal, which I have always considered a by-product,--I may be wrong in that--for a whole ton of cottonseed that the farmer is getting the short end of it. I may be wrong in that. Is that correct?

MR. WATKINS: On this basis of figures here, you can see that if you give a ton of meal for a ton of cottonseed,--of course meal is selling at \$65 and seed at \$75 right now but when meal was selling at \$72 seed was bringing about the same price. Now as I have said, we have bought 80% of the seed, Mr. Chairman, in southern Georgia. We own and operate a great many gins,--a number we have shut down entirely. For your information, last year at two points, I recall we ginned 3600 bales of cotton in one gin, this year, about 800. We ginned in another county last year, something over 4,000 bales,--this year, less than 600. Some of them have not operated at all. We have purchased this seed and the mills that have sold their meal for export or otherwise, of course would not be affected because they will buy seed undoubtedly cheaper.

Unless some provision is made to take care of fellows who have bought seed, it will be disastrous to interfere. The man who has not bought seed will protect himself.

THE SOLICITOR: Is the farmer getting more than a fair profit out of this seed at this price?

MR. WATKINS: Getting more than a fair profit.

THE SOLICITOR: You think so?

MR. WATKINS: Yes Sir, I think he is getting more than a fair profit.

DR. ALSBERG: There is another thing not quite clear. Your statement was that you got \$10 per ton less for meal than it actually cost on today's market for cotton seed, and it takes 2-1/2 tons of seed to get one ton of meal. Then am I correct in inferring that you are losing about \$2.50 per ton for every ton of seed you buy on the present prices?

MR. WATKINS: We are losing today from \$2.50 to \$6.00 on today's market, according to the efficiency of the mill, its location etc. Our only hope is that the market will advance and pull us out. Of course the mills are figuring that all over the country there is a short crop and that they are going to lose so much any way on account of fixed charge. They are buying this cottonseed in the hopes that something will help them out. On the other hand, some mills that might be better located where crops are normal will make money.

THE SOLICITOR: How is the cost of labor during the past two months as compared with the cost of labor during the same months last year?

MR. WATKINS: During the past two months? Well, Mr. Williams, I do not think labor in the past two months is any higher than it was at the same time last year.

THE SOLICITOR: How does the cost of cottonseed during the past two months compare with the cost of cottonseed during the same months last year?

MR. WATKINS: Cottonseed is higher, well the average, I do not suppose is much higher than last year. It was fixed last year by the Food Administration, from \$69 to \$72 according to the oil yield.

THE SOLICITOR: That was the last part of the season?

MR. WATKINS: No. The price was fixed about the 5th of September last year.

THE SOLICITOR: How does the price of oil for July, August and September of 1918 compare with the price for the same months last year?

MR. WATKINS: Oil was fixed last year by the food administration at 17-1/2¢. I do not remember just what the fluctuations were in the oil market. This year oil has fluctuated from 22 to 23¢ a pound to 15¢ a pound, during the past year,

THE SOLICITOR: Well, we will say that the average, that is during the present year, has been long about 17¢? Is that correct?

MR. WATKINS: Well, you could not average July and August

for they are not producing months. September is the only producing month.

THE SOLICITOR: Well, there is a market during those months, is there not?

MR. WATKINS: Yes Sir.

THE CHAIRMAN: It has been the custom to trade a ton of cottonseed for a ton of cottonseed meal. The four products coming from the handling of the cottonseed are, the oil, the meal, the hulls, and the lint. If a reduction was made in the price of cottonseed meal, would that be assessed against the seed? or would some of the other products absorb some of it?

MR. WATKINS: Well, unless the market for the other products went up, it would have to be assessed against the seed.

DR. ALSBERG: The price of oil is a world price.

SENATOR DIAL, of S. C.: I came here to speak for the people of S. C. at this hearing. I want to commend the administration for its effort to decrease the cost of living. We are all interested in trying to do that and it is a very commendable effort. But I am hardly in sympathy with your movement. Now you are operating under an act of Congress here called the Profiteer Act. My understanding is that as soon as the peace treaty is signed the Government will have no right to act. The other day the Attorney General asked that it be amended. I am opposed to profiteering. Now as I said, we hope that that act will soon be out of date. Therefore, it seems to me, Mr. Chairman, that it is unwise to interfere now with the price of seed. I do not profess to be an expert on oil mills but I know that I built one many years ago in South Carolina and as a matter of history, we burned the hulls the first year or two for fuel. Now, Mr. Chairman, the condition is this, that last year we got along pretty well. I do not mean to criticise you, gentlemen, but I must say that if there was going to be a fixed price, it should have been fixed before now. The season is now about 2/3 over. The mills have gone in and bought, but I understand there has not been so much speculation in seed. Personally, I operate a gin myself, and we have been buying only what we agreed to ahead and if the government is going to set a price now, I think we will get out and put it on the market. My desire is that the Government stay out of business as much as possible. I represent the mills and the farmer. What we want is for people to go to work and quit complaining and quit spending money recklessly. That is the way to decrease the cost of living. Now the supply of cotton oil is going to be very short. The Government estimate is about ten million six hundred and seven thousand bales of cotton. It is getting

worse every day. There may be much less, it has been decreasing for the last ten years. A few years ago, we made, I believe, something like 1/3 more than the crop was last year. Now the great trouble about cost of living, gentlemen, is that people quit the farm and go into the town. I am not patting the farmer on the back, the farmer is no particular friend of mine, but I have raised cotton all my life and know that the farmer does not get too much for his cotton seed. The farmer cannot get too much for what he produces. We ought not to discourage people from raising something; we ought to encourage people to stay on the farm, to go back there. This Government is doing many things in that connection; building good roads, and there are telephones and all kinds of things, and I must say the trouble in this country is that people are clustering into the villages and cities and not staying in the country. Go back on the farm and the cost of living will go down. This Government ought not to do a thing in the world to discourage the farmer. The farmer cannot get too much for his cotton. I know about how long the farmer works. Let them go along and make whatever they can. Follow the good old law of supply and demand. So, if you go and interfere with this,--of course it is commendable to discourage the high price of fertilizer but you cannot do so by putting down the cost of cottonseed for the farmer won't plant cotton. I think it is a mistake to go into it at all. I would ask these gentlemen to cut down the price if possible but I know something about it--I built a plant myself.

Now gentlemen if you go and change the price of seed in the hands of the purchasers they will disorganize,--they will pull out of the market. I have told my people not to buy a ton of seed this year. I am going to wire them not to buy a ton of seed unless already sold ahead. So I think if justice is to be done, if we are to get back to normal conditions, the way is to quit interfering with the affairs of the people, let them go to producing and things will adjust themselves. I think the way to get normal is to not tamper with the affairs of the people and get back to supply and demand.

MR. TUCKER: The price of a ton of seed is usually determined by the value of the products we get out of it. The most valuable ingredient is the oil. The price of oil depends very much on the price of lard, because the oil is used to make lard substitutes. The price of lard, of course, depends very much on the price of grain, corn, etc., consequently the price of oil is fixed by the price of lard substitutes and just last Saturday it was 17¢ a pound.

Leaving the cottonseed meal out, the other cottonseed products are cottonseed hulls and lint, of which there will be very little this year, the price of which depends upon the market. We assume that a normal crushing of cottonseed

during the year costs \$15 per ton, and, if we are short of cottonseed and do not crush an average amount the cost will be more than \$15.

DR. ALSBERG: Is that based on the cost of labor?

MR. TUCKER: We estimate the cost, which includes labor, etc., of cottonseed at \$70 per ton, the cottonseed oil at 17¢, the cottonseed hulls at \$8, and the cotton lint at 2¢ per pound, making a profit on that basis of 95¢ per ton of cottonseed. Based on the market valuation of cottonseed which is at the present time \$75 per ton, we would lose \$4.02 per ton, and, based on \$80 per ton of cottonseed with the same fluctuations, we would lose \$9.02 per ton.

Now gentlemen, this cottonseed is valuable as a feed for cattle, which naturally has a tendency to reduce its use in the manufacture of fertilizer, and it is only used in fertilizer when other food materials are in abundance. Farmers have been demanding a certain amount of cottonseed meal in their fertilizers and in that case are willing to pay for it. With these prices fixed it would weaken the controlling price of oil which depends on other things; lint in the same way; consequently, if you try to force down the price of cottonseed meal you will force down the price of seed and if you try to put the price of cottonseed meal or cottonseed cake too low in this country it is probable that Europe will take all of it. They will under any circumstances be glad to get it at any price. The value of cottonseed meal as a feed will prevent its being used in fertilizers because I do not think the fertilizer manufacturers can afford to buy it.

THE SOLICITOR: That is just what is worrying us. The question is are we going to have a sufficient amount of fertilizer for our next food crop?

MR. TUCKER: Any farmer wanting cottonseed meal in his particular brand of fertilizer will be willing to pay for it. You cannot force the price of cottonseed meal down which will automatically force down the price of cottonseed, as a consequence of which we could not handle it.

THE SOLICITOR: If we would all go to work and produce and stop spending money recklessly we would get an answer to our high cost of living?

SENATOR DIAL: I think so.

THE SOLICITOR: You are inclined to the view that if we should indicate a fair profit for meal that would result in discouragement of the farmer in the probable decreased price for his seed?

SENATOR DIAL: I think so.

THE SOLICITOR: And on the other hand, suppose we do nothing.

SENATOR DIAL: I have not heard a complaint this fall, not a one.

THE SOLICITOR: I know, but the present fertilizer prices for this fall have been about thirty per cent less on the average than they were last spring. The farmer should have been delighted with that decrease because that is the only commodity that I know of where there was thirty per cent reduction. We secured that thirty per cent reduction in May for the fall deliveries, but here is what worries the Department. I believe we would not be far wrong in the assumption that if the Department takes no action, the spring prices for fertilizer will be greatly in advance of what they are today because today they are manipulated under a fair-profit procedure which we conducted last May. Now, which would result in a greater discouragement, would it be the naming of a fair profit on meal which we would assume will carry some reduction in the amount the farmer would get for his seed, or an announcement to the farmer that his price for fertilizer for next spring would be from twenty to thirty or thirty-five per cent more than he is paying today.

SENATOR DIAL: Well, of course, he would be paying more for his fertilizer. How would you explain it?

THE CHAIRMAN: The indications are that they would have to pay a good deal more for their fertilizer next spring, and one of the reasons is that fertilizer men worked very nicely as individuals with the Department in putting their prices down to what they thought was rock bottom. As soon as the price had been agreed to by the Department, the prices of the materials went up, and many of the smaller fertilizer companies were squeezed; men who had not bought their stock and made contracts went out of business because material went up much higher than we anticipated. Some of them took great jumps. Now, if we are going to deal with the fertilizer companies this year and require them to work on a fair and close margin of profit we have certainly got to protect this side of it.

SENATOR DIAL: They should have a reasonable profit; everybody should have a reasonable profit.

THE SOLICITOR: But there would be no certainty in the situation unless the commodities they put into this mixed fertilizer are also stabilized, and the law makes no difference between mixed fertilizers and fertilizer material; it says both.

SENATOR DIAL: It seems to me it would be to the interest of the fertilizer material to sell it as cheap as possible to keep the people farming; after while they won't have customers, and now we have the merchant marine that will bring products from Chile and around.

THE CHAIRMAN: Well, we have appealed to the fertilizer men to exhibit patriotism and we are also appealing to the cottonseed meal men to help.

SENATOR DIAL: I think they are all patriotic.

THE SOLICITOR: We appealed to the fertilizer manufacturer last spring to cut his prices to the bone and we considered the prices submitted. We asked for the individual prices from the individual companies, and the prices that were finally released were fair. We found afterwards that a good many of the fertilizer concerns felt they could not make a profit under those prices. We believe they did respond to our appeal for patriotism. Now, we have a more serious question; it is a difficult question. I say we may make a mistake; we want to do what is right. So far as cottonseed meal is concerned we have two courses to take. It seems that if we name a fair profit on meal it may be reflected in the price the farmer is getting for his seed. On the other hand, if we do not name a fair profit for meal I think we can well assume that the price that the farmer is going to pay for his mixed fertilizer, or at least for his cottonseed meal, will be greater. Now, of course, cottonseed meal is only one of the ingredients; we have them all here.

SENATOR DIAL: He can take the cottonseed meal and use it as a fertilizer and make his own fertilizer.

THE SOLICITOR: If he receives a ton of cottonseed meal for a ton of seed it would be a pretty high price.

SENATOR DIAL: I know that; everything is high, machinery and everything else. I want everybody, the farmer and everybody else to have a fair profit, but I do believe now in the midst of the season it is unfortunate. Last year we had to send telegrams after we got started and had a great congestion and then they got suspicious.

THE SOLICITOR: Of course, Senator, whenever a public man acts somebody may criticise him.

SENATOR DIAL: I do not envy you your position at all.

THE SOLICITOR: Just one other thing before you go. We realize that it would have been better if we could have gotten to these materials in July and August, but after we took up the price of mixed fertilizer, that is commercial fertilizer

for the fall, everybody predicted that we would have a declaration of peace on July first. Then they said September first, and then they say by October first. Now, here we are; it may be that declaration of peace may not come until January. If it does not come until January or February I suspect by that time all of the contracts for spring deliveries will have been made. If it should happen that we take no action at all the fertilizer prices may go right out of the housetop. That would be unfortunate. Of course, we want to have sufficient fertilizer but here is the proposition, Senator. The situation in the phosphate rock mines has been most perplexing. They have had a strike down there since April. For a while they could not run any trains out of those regions because the strikers, I am informed, had threatened the engineers. A little later on Federal guards were put on those trains and they are now being run under federal guards, but the sum total of the strike, which has not yet been settled, is that there will necessarily be a shortage in acid phosphate for the spring deliveries, and you know as well as I that acid phosphate is one of the principal ingredients of a commercial fertilizer, so there will of necessity be a shortage of acid phosphate.

THE CHAIRMAN: Senator, furthermore, with a short supply of acid phosphate the manufacturers in order to keep their trade are willing to pay anything; they are willing to pay any price; it is just a question of getting it; it is competitive bidding that will run the price clear out of sight. Now, is it wise policy under this law to allow that to go on?

SENATOR DIAL: Well, I do not know about that.

THE CHAIRMAN: Or shall we hold them down to a fair profit.

SENATOR DIAL: And get less out of it; that is a pretty difficult question.

THE CHAIRMAN: We are trying to hold them down to an actual fair profit on the stocks they have to deliver. If we take our hands off, acid phosphate will at least double, and perhaps increase more than that over the high prices during the war period.

SENATOR DIAL: Well, we are in hopes that this conference here will bring about good results, and the Senate hopes the treaty will go through.

THE SOLICITOR: Here is another difficulty with reference to this matter, a good many of the manufacturing concerns have already bought a large part of their raw materials; others have not. We will have to take into consideration that that particular manufacturer has bought possibly two-thirds or three-fourths, or ninety per cent, and some other

manufacturer possibly has not bought more than fifty per cent. Most of them have bought; some, I understand, have not; that is just another one of the difficulties.

SENATOR DIAL: That is why I object to the government getting into the business at all; let them work out their own salvation.

MR. TUCKER: The price of a ton of seed is usually determined by the products. The most valuable ingredient I suspect, is the oil. The price of oil depends very much upon the price of lard because the oil is used for making lard substitutes. The price of lard, of course, depends very much on the price of grain,--corn. Consequently oil prices today are largely fixed by the price of lard substitutes and on Saturday it was 17 cents. The other three products are hulls, and that price is automatically fixed, about \$80 a ton; the price of lint is not fixed, but we expect that with all the lint that the government has for sale that lint will not bring very much money this year. Now, it is on the price of these that we estimate the price of lint probably at about 2 cents a pound; it might be more, but the prices of those three commodities must bring the balance of the money from a ton of seed. On Saturday I had our auditing department make some figures on that line. We assume that with a normal crush of seed during the year it would cost us about \$13 a ton to work it. If there is a short seed crush and we don't crush that much it will cost us more than \$13. On Saturday we estimated the cost of seed was \$70; the cost to crush \$13, or a total value of \$83. We estimated 315 pounds of oil at 17 cents, \$53; 525 pounds of hulls at the rate of \$8 a ton, \$2.10; 75 pounds of lint at 2 cents, \$1.50. The total value would be \$83.98, showing that we were making a profit on that basis of 98 cents a ton for the seed. Based on that same market valuation on Saturday if seed had cost \$75 a ton we would lose \$4.02 a ton; based on \$80 seed with the same valuations of products we would lose \$9.02 a ton. Now gentlemen, meal is not a by-product; it is a valuable food product for cattle; it is almost a pity that so much is used in fertilizers. It is only used in fertilizers when other food crops are so abundant that the price of meal has been put where it could be used freely in fertilizers. The farmers of the South are accustomed, and have been for years, to demanding that a certain amount of meal be put in their fertilizers. In that case, the farmer is willing to pay, I imagine, a little more. We cannot control the price of oil; it is dependant upon other things; we cannot control the price of hulls; that is dependent on the price of other things; lint the same way. Consequently if you try to force down the price of meal you will simply force down the price of seed. There is nothing else I can see, and if you try to put the price of meal or cake too low you will probably find that Europe will take it all.

THE SOLICITOR: Suppose we try to keep exports from going out.

MR. TUCKER: Well, you might try that, but the business interests of the country might have something to say on that. Now, gentlemen, the thing that strikes me is that you are taking the very highest-priced material goes into fertilizers. I imagine this year that the meal is a feeding product, that a very small percentage will go into fertilizer this year. I do not think that the fertilizer manufacturers can afford to buy it.

THE SOLICITOR: That is just what worries us; if you do not have a sufficient amount of fertilizers you will not have a sufficient amount of food crops; therefore it will result in a shortage of food.

MR. TUCKER: And any farmer who wants meal in his particular brand of fertilizer is willing to pay for it. He cannot force the price of meal or cake down without automatically forcing the price of seed down. It is a food product; it is not a by-product; get that out of your mind.

THE SOLICITOR: I remember the old days when we used to burn the hulls and all that sort of thing, but I always understood that the meal was a by-product.

THE CHAIRMAN: Now the farmers can at any time go to the mill and exchange a ton of cottonseed for a ton of cottonseed meal. The question now is with that privilege, how much they would suffer, or how much they would sacrifice in order to get fertilizers.

MR. TUCKER: I think it is up to him, if he wants to make the slaughter he is the judge of whether he wants to do it or not. I cannot see how possibly in any way you can fix the price of meal. It is a food product; it is going to sell in sympathy with the price of other food.

THE SOLICITOR: Mr. Tucker, you talk of fixing prices,-- the action of the Department will be in naming a fair profit under the food control law.

MR. TUCKER: How can you find out what the cost of it is unless you take the basis on seed. That is the raw product, sir. Now, if you fix the price of seed then you can fix the spread, but that is where you lose out; you cannot fix the price of seed.

THE SOLICITOR: It is a most difficult question to determine, the cost of production.

MR. TUCKER: It is impossible, I would not attempt it.

Now that the fertilizer companies are all competing, with no Government regulation my experience is that in ordinary years they will cut each other's throats, and you will get the price of fertilizer down that way better than any other way. Of course I am not talking from the fertilizer end, I am just trying to show you that it is a physical impossibility to cut the price of meal. You put it down and you will be very glad to put up again. Yesterday I received a telegram from our New York office that the seed market was so excited that we had to actually limit our purchases to \$75 a ton.

DR. ALSBERG: Let me get that in my mind. You said the seed market was very much excited; going up or going down, either way, different classes of people would be excited, but somebody would be excited whether it went up or down.

MR. TUCKER: All bulls yesterday, sir.

DR. ALSBERG: The reason I ask is because several comments were made here by the Senator and several others that they had, or were going to wire home not to buy any more seed.

MR. TUCKER: We have practically done the same thing.

DR. ALSBERG: Which would naturally lower the price; that is why I want to know which was the excitement, the rising price or the going down, but as yet there has been no lowering.

MR. TUCKER: It is a market condition, absolutely.

MR. WATKINS: I want to get this in the record; I don't know of course whether the farmer is getting more than a fair profit for his seed, I am not a farmer, but I meant to say that the farmer is getting more than the value of his seed, based on the present market. The mills are paying more than the value of cottonseed today whether that is more than a fair profit, I don't know.

MR. WELLS: I have the impression that the farmers got a ton of meal for a ton of cottonseed; I think that is the wrong idea; it may be a ton today and a ton and half tomorrow. It is a market condition; for instance, if seed is selling for \$78 and meal \$60 that farmer gets in exchange this ton of seed for \$70 worth of meal. It isn't confined to one ton for a ton of seed, it is whatever the price of seed is that day, represented by the market value of meal that day.

THE CHAIRMAN: Has that statement been made?

MR. WELLS: I thought the statement was made a little while ago that the basis of settlement for the farmer was a ton of meal for a ton of seed.

THE SOLICITOR: That has been stated, I think it was understood that way.

MR. WELLS: That is not correct at all; the fact is that the farmer is paying in the shape of meal for his seed on the basis of the market value of the meal and the seed that day; it is not a ton of meal and a ton of seed; I have seen all variations existing during the season. I remember one season that started out with a thousand pounds of meal and one and a half of seed; before we wound up the season we were getting 3000 pound meal for 2000 pound seed; the value of other products enabling us to make such a trade. The gentleman who preceded me has well put the question of costs and how they rank from day to day. I believe one gentleman stated yesterday that there was about 16 per cent of the ammonia content of fertilizer represented in cottonseed meal. It seems to me we have a very interesting thought there, and I don't think I am wrong when I say that that fertilizer in which meal is largely used is used in about two States, North and South Carolina. Georgia uses some, Alabama uses very little meal in its fertilizer, Mississippi but little, Tennessee but little. West of the River you might say practically no meal is used in fertilizer. Now, the farmer in North and South Carolina very often exchanges his cottonseed for meal. Naturally it does not make much difference to him what price he gets for meal; you go into Georgia, he does practically no exchanging; in Alabama possibly none; that is, unless the farmer in Alabama, Mississippi or Tennessee wants the meal for feed not for fertilizer; if you sell it in other states the proportion is very small. There we have a very interesting situation. A man in the Carolinas or Alabama is interested in the price of meal for fertilizer, the farmer in Tennessee, Mississippi, Louisiana, Oklahoma and Texas is not, and, while we hold no brief for him here, we are not here to represent him, really they are the people who might be said to settle this question for the Department of Agriculture, and say why cottonseed meal is selling today on a basis around \$10 a unit of ammonia. I have a table here showing that cottonseed meal on a basis of \$72 a ton, 36% protein and 7% meal, is selling at \$2 a unit, protein; I take that as an illustration. Linseed meal, 33% protein, \$74 a ton, delivered at Boston, \$2.27; cereal meal is selling--only 35%, one point below cottonseed meal, is selling \$79 at Boston, that is \$2.26; copra meal, South American, 21% protein, is selling at \$65 a ton, or \$3.09 a unit; wheat bran, 15% protein, is selling at \$44.30 a ton at Boston, \$2.93 a unit; corn gluten 26% protein, at \$76.37, which is \$2.70 a unit. Cottonseed meal, according to Government figures, of which 84% is used for food, for something other than fertilizer, is chiefly protein value today. And I repeat what I said a little while ago, it seems we should try to settle its value on the fertilizer worth. Is that the true way? It enters into fertilizer, but only as a certain per cent.

THE SOLICITOR: The issue is a fair profit, it doesn't matter whether you sell your article for food or fertilizer, it is a question of fair profit. Of course you know the Food Control law disregards the law of supply and demand, it is an emergency measure. The lode-star in the food control law is a fair profit. It does not matter whether it is used in compounding food or fertilizer, or whether it might be made into some high-priced drug that might sell for ten times as much as cattle feed or as fertilizer. The question is--it doesn't matter for what purpose it may be used; is the manufacturer making a fair profit? That is all the law contemplates. It is a ware measure and contemplates that everybody in this country should make a fair profit, that everybody should produce as much as they could; and that nobody should hoard; it simply means that everybody should work for a living wage and a fair profit, and all pull together in a fair and honest manner.

MR. WELLS: That is the direction in which all the work of the Government is pointing; and on that very point, Mr. Solicitor, just why the farmer is not here I don't know, I repeat this looks to me like a farmer's question, for him to settle, because if today the figures are right, that 84% of this cottonseed meal goes to feed or some other purpose, than mixed fertilizer, than that man in Mississippi or Alabama will find that his value of the meal is cut half in two for a fertilizer, a thing that cannot be used for anything else in this country, and he will say, "Well, I won't bother about this seed, I won't try to preserve it as the Food Administration insists that it be done", and we may find ourselves following his action, throwing it off the market, and there will be less production of cottonseed oil. In other words, any attempt to reduce these values may result in a wholesale reduction of produce.

THE SOLICITOR: We cannot imagine any manufacturer of anything lying down in the present emergency. I feel that our people are yet imbued with a proper amount of patriotism.

MR. WELLS: I speak of the farmer there, entirely.

THE SOLICITOR: I feel that the farmer is yet imbued with patriotism, and when our people feel that they should let up on patriotism, I don't know what is going to become of our country. I think we can rely on the farmer and on the manufacturer.

MR. WELLS: But you don't catch my idea.

THE SOLICITOR: I take it your ideas are like Senator Dial's, that if we take any action with reference to these raw materials, we will so affect other products that it would be, from a psychological standpoint, detrimental to food production. Do you think that that point overshadows the other point, that if we don't take any action there will be an increase in the cost of fertilizer?

MR. WELLS: I think we should consider it from every angle. It does seem as if the first act in the drama, you might say, has brought about a condition that results in confusion, that is the way it looks, and may be detrimental to our country.

THE SOLICITOR: We are all working to the same end, and it is just a question of means; I think you realize the difficulties of our problems.

MR. WELLS: Indeed I do.

MR. TUCKER: Please let me get on a practical basis. If Mr. Watkins will figure it, I will show you how we can reduce the cost, we can give you the approximate value, Mr. Watkins can figure them in two minutes. Take 315 pounds of oil and give them half a cent more and see what that is.

MR. WATKINS: \$55.12.

THE SOLICITOR: You gentlemen didn't lose anything when it went to \$53, did you?

MR. TUCKER: You mean last year, when it was stabilized? Mr. Williams, oil and seed was \$70 then, the labor, working cost, and seventeen and a half for oil--no, sir, we didn't lose anything.

MR. WELLS: At a fixed fair profit.

THE CHAIRMAN: How much?

MR. TUCKER: \$6.70 per ton of seed for lint.

MR. WELLS: The industry lost \$53 for labor, unless the Government raised.

MR. TUCKER: Let us see these figures.

MR. WELLS: \$27.88 on 900 pounds of meal would be about \$62 a ton for meal.

MR. TUCKER: Some people estimate the value outside of ammonia as \$51--that would be \$57, as there is \$8 a unit for ammonia, and I say that the farmer who needs a fertilizer made of cottonseed meal is going to be willing to pay \$8 per unit for the ammonia in it, or he will take some other fertilizer, that is all there is to it, unless you make him sell his seed for less money.

MR. YOUTSEY: Mr. Chairman, we already have mills in five states, Arkansas, Tennessee, Alabama, Georgia and North Carolina. We don't happen to be interested in the fertilizer business other than as cottonseed meal goes into fertilizer, we don't manufacture

it. Consequently we have no interest other than the general interest of the company in seeing meal go into fertilizer; as a matter of fact, our industry is along other lines, it is along the line of seeing this stuff go into feed, we are manufacturers of feed. Isn't this Dr. Alsberg? (Indicating)

DR. ALSBERG: Yes sir.

MR. YOUTSEY: I remember, Doctor, several meetings you attended of the Food Control officers, and if my memory serves me correctly, I have heard Dr. Alsberg say that it was criminal for cottonseed meal to go into fertilizer.

DR. ALSBERG: And I am willing to say that again, sir.

MR. YOUTSEY: You are not only decreasing your human food by feeding cattle, but are reducing your fertilizer.

THE SOLICITOR: But the question under discussion is what is a fair profit, it doesn't matter under the Food Control law, whether the article goes to feed or fertilizer.

MR. YOUTSEY: Mr. Williams, you misunderstand me; I am not here to combat the question of a fair profit at all, I am bringing up the question of what is the best thing for us to do.

THE SOLICITOR: I want you to get it clearly in mind.

MR. YOUTSEY: Let me add one thing, Mr. Williams--possibly you are not familiar with this. The cottonseed industry, I believe, is recognized as an industry that stood back of the Government man for man right straight through the war, and was controlled longer than any other industry, outside of sugar and flour, in the United States. They were controlled on May 31, and they stood behind the guns; we were for the Government right straight through, not a man in the organization who was not. We worked on a narrower margin, and the Food Administration, the War Industries Board and the Ordnance records will show this, than any other industry in the United States throughout the entire war, notwithstanding the fact that was the case, we were allowed, when the armistice was signed, to hold the bag to the extent of somewhere between 30 and 50 per cent of our profits, which were the smallest profits of any in the business. And we are still holding the bag on that. The reason I bring this up is this: We want to lay our cards on the table and see what is the best thing to do. This industry doesn't want to go bankrupt and it doesn't propose to. We are not here representing 800 mills--I represent our own company, and there is probably 50 to 60 per cent of the crushing industry represented here in some few men; but you have 800 mills down there who are attempting to fabricate this stuff and make some money, and if they can't see their way clear to make some money they are not going to handle the seed, absolutely.

THE SOLICITOR: I don't believe that those manufacturers would lay down in this crisis.

MR. YOUTSEY: Let me tell you--therè were how many mills in South Carolina closed last year?

A VOICE: About 10 or 12.

MR. YOUTSEY: How many mills in South Carolina refused to buy seed when the Food Administration looked as though they were going to carry it?

A VOICE: Refused to buy seed?

MR. YOUTSEY: At stabilized price.

A VOICE: They all of them refused to buy seed.

MR. YOUTSEY: They refused to buy seed, they had their houses full, and no place to put them. I will say this, that we have probably 25% of our seed crushed so far this year, and we have paid, we think, the full market price for it, and we haven't sold the products out of that seed; and if there is an attempt made to cut the price of cottonseed meal below its relative value, below the other products,--

THE SOLICITOR: You say you haven't sold the other products?

MR. YOUTSEY: No, haven't sold it.

THE SOLICITOR: Haven't contracted for it out of your present season's output?

MR. YOUTSEY: No sir.

A VOICE: You will find that situation general.

MR. YOUTSEY: There is one other point; the states of Texas, Oklahoma, Arkansas and Mississippi use practically no fertilizer; as you know, somewhere between 60 per cent of the cotton crop is raised in those four states, and every bit of it goes for feed. I can't see how you can regulate the question of cottonseed meal from any of those states for fertilizer when none of it is used for fertilizer.

THE SOLICITOR: It is just a question of a fair profit; You are entitled to a fair profit and we want you to get it.

MR. YOUTSEY: Of course the question of a fair profit, Mr. Williams, is a question of accountancy, and you can't tell anything until after the season is over.

THE SOLICITOR: But we couldn't very well go into it after the season is over, because we couldn't collect, could we?

MR. YOUTSEY: It has been done.

THE SOLICITOR: How would you proceed?

MR. YOUTSEY: Well, you would go into the accounting, and if a man made \$25 on his seed I would say you should go to the United States Department of Justice and indict him under the Excess Profit Law that I believe you have, and bring him down to a reasonable bases, an average of what the mills made.

THE CHAIRMAN: That meal would have been sold?

MR. YOUTSEY: Right.

THE SOLICITOR: The effects it would already have had on the farmer would be that he would have already paid for it, his acreage would already have been decreased, there would already have been a decreased production and a consequent increase in the cost of living. And possibly if you got some people on the jury who had been a little bit stung you might get your medicine in the end, but you might get away, and if you did you would be profiteering and you wouldn't want to do that, would you?

MR. YOUTSEY: No, sir; for our own company, we are not out for any profiteering business.

THE SOLICITOR: Of course you are not; I don't think any of you gentlemen are.

MR. YOUTSEY: Let me say this; I am down here looking for information. I can't see how it is possible to do such a thing as you have in mind without reducing the price of seed anywhere from \$15 to \$40 a ton. If you gentlemen have in mind doing anything that is going to effect the price of seed, I, for one, want to know it because I want to get out from under the seed we have bought at pretty close to \$70 a ton and I want immediately to stop buying seed at \$75 a ton and I want immediately to wire south that we will not take the seed until this thing has been settled. We don't want to hold the bag any further than we are now holding it. I happened to see a telegram sent south yesterday, and I believe that telegram itself would have the effect of stopping the seed price in the south; I haven't wired yet, but if there is going to be an attempt to affect the price of one of the commodities I will certainly wire to stop buying seed, because it will be necessary. If you think there is a profit in the oil milling of \$10 a ton, you are of course mistaken, I can prove that to you, I can show you what they were last year on Food Administration figures.

THE SOLICITOR: You said a while ago that if we took any action whatsoever with reference to a fair profit on meal that it would reflect a reduction of from \$15 to \$25 a ton on cottonseed.

MR. YOUTSEY: I believe I said \$15.

THE SOLICITOR: Were you raised in the country on a farm?

MR. YOUTSEY: No sir, I was raised in the city.

THE SOLICITOR: You don't know anything about farming?

MR. YOUTSEY: Well, I spent about 10 summers on a farm working.

THE SOLICITOR: I was going to ask you if you felt that a reduction of \$15 on cottonseed would represent a fair price to the farmers.

MR. YOUTSEY: I am not a Southerner, so I ought not to talk for the cotton men; I have heard the farmers say it cost them ten cents to raise it; if you ask them what it costs today they say twenty-five; I rather question that; although it may be, if they take in all the stuff that Senator Dial spoke of. Now there is just one thing more. I was talking with one of our men in Atlanta yesterday and he said the market was very excited, as Mr. Tucker said, and I said, "What is the trouble" and he said, "The Secretary of Agriculture of each one of the Southern states has sent out propaganda advising the farmers to hold their seed for \$100 a ton; "Is that correct? Of course we are willing to work on narrow margins, but we have to cut the profits out.

MR. TUCKER: It is only fair to stop now, we have not drawn money out of Uncle Sam's treasury and it would not be fair to us to attempt to.

MR. WATKINS: It would also be unfair to demand that of the man in the country, buying seed. I know one man who has about \$500 worth of seed, that is a lot of money tied up, and they have been putting the market up around him by offering so much for seed, and he has to sit in the market and make his collections and buy from his customers and he told me he was offered \$81 for seed and he would have to hold it for \$85. He was paying \$78 and \$79, if there was a drop of anything like \$10 a ton that man couldn't stand it.

MR. SPROTT: We have a Fair Price Committee plan started in Alabama, the committee composed of the Commissioner of Agriculture, one representative of the farmers and one of the oil men, and we had an agreement at a meeting of oil men in which the Commissioner of Agriculture of the State presided and in which they agreed that 6% was a fair profit for oil mills to make on the total value of the products, and they figured the cost; and the Commissioner of Agriculture was to ascertain through the State Chemist what the yields of seed were and this Committee would promulgate from time to time a fair price of cottonseed, allowing the oil mill 6% profit on the return, Unfortunately, about that time there came a

break in the market, and products went down, and the farmer member of the committee said that all he was on there for was to keep the price up, and as it went down, he would back out. (Laughter).

THE CHAIRMAN: It might be well to lay before you the information the Department has in regard to the portion of the cottonseed meal that is used as feed and as fertilizer during the year ending June 30, 1918. The reports furnished the Department were for the United States, that is, for the sixteen cotton states. Sixty-five per cent is used as feed and 35% as fertilizers. In Alabama, it was 60% as feed and 40% as fertilizers; in Arizona, 100% as feed; Arkansas, 88% as feed and 12% fertilizer; California, all went as feed; Florida, 62% as feed, and 37% as fertilizer; Georgia, 49% as feed, and 51% as fertilizer; Illinois, all went as feed; Kentucky, 92% as feed and 8% as fertilizer; Louisiana, 62% as feed and 36% as fertilizer; Mississippi, 81% as feed, 19% as fertilizer; Missouri 100% feed; North Carolina, 20.7% as feed, 79.3 as fertilizer; Oklahoma, 97.7 as feed, and 2.3% as fertilizer; South Carolina, 23.1% as feed, 76.9% as fertilizer; Tennessee, 89.2% feed and 10.8% as fertilizer; Texas, 99% as feed and 1% as fertilizer. The average for the United States is 65.1% used as feed and 34.9% used as fertilizer.

A VOICE: Is that the Government bulletin?

THE CHAIRMAN: It is proof of a bulletin.

A VOICE: What is the number?

THE CHAIRMAN: It is bulletin 798.

MR. WELD: Are the figures you gave us yesterday of 16% representing cottonseed meal evidently the mixed goods?

THE CHAIRMAN: The figures I gave you yesterday showed that in 1918, 15.2% of the ammonia used in mixed fertilizer came from cottonseed meal. Now in 1917, 13.8% of the ammonia used in mixed fertilizer came from cottonseed meal.

MR. RASH: A little while ago in a discussion with Mr. Watkins, the question came up if the price of cottonseed meal was reduced where that difference would go. Dr. Alsberg explained to you that unlike the meat business the difference could not be put on meat. Now we have never seen the time we could take something off one side of the steer and put it on to another. It is a question of supply and demand from first to last. On tankage, now then I have been thinking over night on this proposition. This whole thing from first to last is on the wrong foundation because on organic materials you consider the sample for its ammonia value. Of late years these materials are no longer appraised by their ammonia value, but by protein value and if you take and make up some chart taking the protein value of corn and other feeds and compare

it with the protein value of cottonseed meal and tankage you will find the answer you are looking for.

MR. EVE, from Charleston: It seems to me that it has been fairly demonstrated that there is no possibility of anything like an unfair profit to oil mills. Under present conditions it has been unfairly small, and it is also very clear that any reduction in price of the meal under present conditions will reflect upon the price of seed. Any reduction in price of seed will come directly on the cotton planters; the oil mills have no margin to spare; they are the losers. Now for whose benefit would that be? Would it be for the benefit of the entire fertilizer consuming farmer over the entire country? It does not seem to me it would be fair to the Southern cotton farmer to bear the entire burden.

DR. ALSBERG: You are undoubtedly right.

THE CHAIRMAN: There is one peculiar thing about the place of cottonseed meal in the fertilizer trade. A very large proportion of that portion used for fertilizer is used almost exclusively in the southern states. The cottonseed meal that is shipped is practically all used for feed products. Now it results, therefore, in the fact that cottonseed meal used for fertilizers is used mainly in the South and tankage, fish-scrap and dried blood take its place in northern states.

MR. WHITE: But would not a reduction in fertilizer itself have a sympathetic effect on the whole country?

THE CHAIRMAN: Yes, possibly it would.

MR. CHAMBERLAIN: Have you the amount of cottonseed meal used in Connecticut?

THE CHAIRMAN: No, I have not.

MR. CHAMBERLAIN: There is a good deal used in tobacco.

MR. WHITE: As I understand it, the question you want to determine is what would be a fair margin of profit on cottonseed meal. You are not trying to arrive at what would be a fair price for cottonseed meal under present market conditions. The question is what would be a fair margin of profit. I am unable to see how you can determine what would be a fair margin of profit on any kind--any single product manufactured from cottonseed. The only way you could determine what would be a fair margin of profit would be to take the seed--to stabilize the seed, fix the price for seed and for products and then you could determine what would be a fair margin of profit. The only way you could fix a fair price for cottonseed is as I see would be by daily quotations taking the price of other products and the price of seed. Of course if you attempt to fix the price of seed and of

meal and that is what it will mean, that is going to be reflected in the price of seed. Any reduction in the present price of meal will be reflected in the present price of seed.

THE SOLICITOR: Do you think the present price for seed is a fair price?

MR. WHITE: Yes sir, I think so. It is a fair price based on the price of the products the mills are able to get. It is fair to the farmer. That price of \$75 is not prevailing in North Carolina. If it is, I have not heard of it.

THE SOLICITOR: What I meant to ask was, if the prices in your State are fair?

MR. WHITE: I think the prices prevailing in my State are fair to the farmer based on what the mills are able to get for products of the seed.

THE SOLICITOR: Are they more than fair to the farmer?

MR. WHITE: No sir, I do not think so.

THE CHAIRMAN: Suppose you lowered the price you obtained from one of your products, would that force the price of cottonseed down to a lower point where the farmer would get a fair profit.

MR. WHITE: Well, I do not know what you could consider a fair profit for the farmer. If the mills tried to pay the farmer a price for his seed based on what they can get from what is manufactured from that seed and if you lower the price of any one of those products the natural inference is that it is going to be reflected on the price of raw material from which it is made.

I have here a telegram sent to Mr. Louis M. Geller, Assistant President of Interstate Cotton Seed Crushers' Association, who is not here. It was delivered to me with the request that I read it to you. I will read it:

Navasota, Texas.

"Understand hearing called in Washington tomorrow for purpose of stabilizing price of raw fertilizer material in which cottonseed meal is included. Members of South Texas Association oppose any such stabilization at this date as most mills have purchased 70% of their crush. Please represent us at this meeting."

Now the conditions in Texas are just the reverse from conditions in North Carolina. Their seed is moved a great deal earlier than with us, and any action you gentlemen might take, we can protect ourselves in North Carolina as it would be reflected

in price of seed but the men in Texas have already purchased 70% of their crush and unless he has already contracted for his meal would suffer a disastrous loss if you were to fix the price after they had bought 70% of their raw material. It would be practical confiscation of his property. I am sure you gentlemen want to take into consideration the conditions that exist in all parts of the cotton belt when you come to consider this very important question.

MR. TUCKER: Mr. Chairman, Mr. White has just spoken of what I have been trying to get at. How can you know the profit until you know the cost of raw material? How do you know the profit we are making until you know what the raw material cost and what it has been selling for? The Food Administration last year fixed the difference between crude oil and a substitute. They fixed a working spread. They fixed the spread between the cost of crude oil and lard substitutes. How are you going to determine whether they are making an unreasonable profit or not? You have got to determine the cost of your raw material first and then fix the profit you could make on that raw material. Can you answer that Mr. Williams?

THE SOLICITOR: Well, of course, the perfect way, if there is a perfect way to determine such a question, is to first determine the cost of all your ingredients that go into the product.

MR. TUCKER: Well the Food Administration has released control. Can you control the price of lint today.

THE SOLICITOR: That is the unfortunate part of it, that it has been released.

MR. TUCKER: You cannot.

THE SOLICITOR: Did the Food Administration control the price of your linters?

MR. TUCKER: No, the Munitions Department in conjunction with the Food Administration. Can you control the price of lint today?

THE SOLICITOR: No, all of our power relates to the ingredients that go into the fertilizer. That is the limit of our authority. And we want you to help us arrive at a sound conclusion. I understand your argument is that we should not touch your product because we cannot control some of the elements of your product.

MR. TUCKER: Yes sir, that is it.

THE SOLICITOR: There may be much in your contention, and that is what we want you to state, and we want you to ask whatever comes to your mind.

MR. TUCKER: It looks impossible to me.

THE SOLICITOR: How much of your seed have you bought?

MR. TUCKER: Possibly about 25 per cent.

THE SOLICITOR: You have not bought more than 25 per cent.

MR. TUCKER: No sir.

THE SOLICITOR: Of course, so far as that 25 per cent goes, it would be easy. There are other concerns who have bought more than 25 per cent.

MR. WALLIS: According to the section of the country.

MR. TUCKER: Probably about 25 per cent of our crush last year will be shortly milled; about 38 per cent.

THE SOLICITOR: About what price did the Food Administration fix last year.

MR. TUCKER: On a 70 basis 41 gallons of oil yield.

THE CHAIRMAN: And what price did they fix on cottonseed meal?

MR. TUCKER: Fifty-five dollars.

MR. WALLIS: Pardon me, Mr. Tucker, but just to illustrate, and we had experience last year on that lint. Let us all remember what happened on the 22 of November last year. When were the prices of oil fixed by the Food Administration? The price of meal fixed the price of oil. The armistice was signed; we were called here to decide with the Ordnance Department what should be done about meal. There was every indication that for the value of \$6.77 as fixed by the Food Administration for our lint, we had to take \$2. We bought a lot of seed; farmers were still willing to sell us. Now, Mr. West said a while ago that there was no stoppage on the buying of seed. There was a stoppage on the buying of seed because the loss that the mills made on their lint would have upset the profit that they expected to make on that seed.

THE SOLICITOR: In other words, you simply could not make a profit.

MR. TUCKER: Yes.

THE SOLICITOR: Now, we want you to make a fair profit.

MR. TUCKER: But what I had in mind, here we are dealing with one product of the cottonseed, only one, and what may happen may be just what happened last year on the linters.

MR. WATKINS: Have you in mind any price that you would have to put on cottonseed meal in order for it to move into fertilizer channels. About what price per unit it would have to be?

THE CHAIRMAN: That is what we wanted to do, to bring things back to the relation that formerly existed between the price of the inorganic ammoniates and the organic ammoniates.

MR. WATKINS: We happen to be in the fertilizer business also, and in your letter to the mills that certain prices per unit would be fixed on sulphate ammoniate and animal tankage, there was no price mentioned in regard to cottonseed meal. I just wonder whether it would have to be on a parity with the others.

THE CHAIRMAN: That is what the Department suggested.

MR. WATKINS: That would mean it would have to be about \$30 a ton for meal.

THE CHAIRMAN: About \$32.

MR. WATKINS: Gentlemen, I believe that if a price of \$32 or \$35 was fixed on cotton seed meal that it would do more to decrease production then letting it alone. Because it would unquestionably have to be reflected on the price of cottonseed and the mills in the south would immediately withdraw from the market and the prices would go down.

A VOICE: Don't you think it would break some mills.

MR. WATKINS: It would cripple them very badly.

THE CHAIRMAN: The price of cottonseed meal for 1913, 1914 and 1915 per ton was \$25.52. At the present time the quotation we have is \$53 a ton, based on \$6.31 per unit. If we sell this and other by-products on the basis of the relative position they had to the mineral ammoniates, cottonseed meal would sell now at \$32 a ton, or \$3.81 per unit.

THE SOLICITOR: I take it that you gentlemen are practically unanimous that the government should take no action with reference to cottonseed meal. However, let us assume that possibly the government might take a different view and reach the conclusion that it would be better to follow the line that I have just described a while ago, that it would be better to try to keep down the price rather than to take the other side, what would you gentlemen suggest would be a fair price?

MR. TUCKER: I do not like to think I am talking too much.

THE SOLICITOR: You need not answer that if you do not want to; we want you to help us; if you want to you can talk it over; we don't want to do anything arbitrarily, but just assume for the moment that the government might take a different view and we would be put to the question of naming a fair profit, a price that would bring a fair profit, couldn't you help us with some suggestion? I do not mean for you to give that off hand unless you want to, but we want you to help us as far as you can consistently.

MR. TUCKER: Mr. Williams, we want to help you, but I think in the first place it has been demonstrated that you cannot determine a profit where four ingredients vary in price, where different commodities are dependent upon them. Before Mr. Wallis interrupted me I was going to say it takes a good deal of money to run this business at present high prices. This product is all handled in a short period of about four months to prevent it spoiling. It must be handled. Therefore, to get money and to keep turning it over in buying the seed we are turning over these products just as fast as we can; that is the one thing we can do to get the money back. Now, you can depend upon it if another dealer is selling meal a little cheaper than we are, we are going to cut his price; we might lose a little, a dollar or two a ton. Sometimes we have to run these sales at a loss, I mean on the actual operating. Why? Because we have an overhead expense that if we do not run them we would lose two and one-half or three million dollars. Now, we would probably lose some money rather than not run them. There is no way in the world that I see you can fix it; we would do it ourselves if it could be done. We are going to buy this seed as cheap as the farmer will sell it to us, and we are going to sell the oil, the meal, the lint and the hulls at a reasonable profit. Sometimes I am a little nervous about next summer. We know that as time goes on we have got to meet a lower level of values; we don't know where it will be, and therefore we are not disposed to stock up; we are actually competing actively; it is not necessary to try to fix prices for us; I do not believe that the government is going to fix the price and compel the farmer to sell his seed for a price less than it is worth; I do not believe they are going to do it.

THE SOLICITOR: We want the farmer to have a fair profit. We want you to have a fair profit.

MR. TUCKER: Then if you feel that by competing among ourselves, to run our mills and reduce those overhead expenses, we have run the price of seed up on each other, all right, or are we going to run them down. At this meeting we are pretty friendly, but when Mr. Watkins gets back to Atlanta, and Mr. _____ to Cincinnati, we are competing and fighting every day, and it is supply and demand after all that is governing us and nothing else, and you will never be able this year to get cottonseed meal down on a basis anywhere near this. I think there will be less cottonseed meal used this year in fertilizers. If the farmer can get a ton of fertilizer with something else that will

do, he will use something else.

THE SOLICITOR: The Food Administration released you in May or June?

MR. TUCKER: May 30.

MR. WHITE: There is just one thought that has occurred to me. You suggested that those representing the government might come to an opinion contrary to that expressed by these gentlemen here this morning. I believe that we will all agree that if there is a reduction in the price of meal that it must be reflected in the price of raw material. When you gentlemen come to consider this question I want you to bear in mind a thought about the merchant of the south that has stocked up his warehouse and is stocking up his warehouse today with cottonseed at \$70 to \$75 a ton. Then too I want you to think about the banker that has been furnishing the money to buy this raw material. These things are all related, and I just wanted to call them to your attention because it reflects all the way back and I just want you to take into consideration all these things that have a bearing on this subject that you are considering.

GOVERNOR MANNING: I do not know that I have any right to speak in this meeting. I am not a manufacturer; I am not interested directly or indirectly in any cotton oil mill except in the way of any one who has to buy the stuff. I am a farmer and produce cotton and cottonseed. But I think it is well for me to state this. I feel a deep interest in the whole matter of cotton and the south, the part that it plays in its duty to the nation in raising food. I will say incidentally that I think the the south now is raising thirty per cent of the food products of this country, of the grain. I know you have a difficult job; I know your purpose is high; you want to help the whole body of the people, but I am afraid I will have to add to your trouble a little by pointing out what would probably be the effect of fixing the price of meal at the level indicated by you. That would mean at once the stoppage in my opinion of the purchase of seed by the oil mills; it would mean that because, as I see their position, they would be unable to manufacture it at a profit. That in turn would stop their buying seed, and that seed would accumulate in the hands of the farmers. We would have a repetition then of what occurred last season after the armistice. I was with the Food Administration and before the War Industries Board on these various problems. By March the situation was so acute that farmers were stocked up with thousands of dollars worth of seed and with the absolute impossibility of selling that seed to the mills, because, while the price of oil was stabilized there was no sale for it. All their linters were tied up; there was no oil moving and mills were stocked up, farmers were stocked up, and the problem presented itself, that unless relief was given

immediately that seed would be put into fertilizer and lost to the world as a food supply. So I was asked to go to Paris and I went there to see Mr. Hoover. I told him in the first place that I felt that the farmers and the oil mills would agree with the Government's views on these matters, they were patriotic people and willing to help in every way, but the agreement had been made that those prices would stand through the season. As a matter of fact, they could not stand, because there was no sale, you couldn't force anybody to take the oil. I requested Mr. Hoover to use a part of his hundred million revolving fund which Congress had authorized and instruct his men to buy oil and export oil so as to give relief to the oil mills, and in turn give relief to the producers of seed. The result of that conference was that that evening Mr. Hoover sent a cablegram to New York authorizing and instructing them to purchase oil and to export it, and I believe that when I got back and went to Mr. Brown he told me that that had relieved the situation and that the farmers had been able to sell their seed and there was a very small percentage of it left on their hands. Now, of course, if the mills will withdraw from the market and do not buy the seed from the farmers, we are going to be threatened with a serious matter in the actual loss of that seed as a food product; and of course the raw seed used as a fertilizer at any price contemplated is out of all reach as a fertilizer. It places it at too high a figure. In other words, the meal is a far better fertilizer than the seed in dollars and cents. Now, I am as anxious as anyone to see the cost of living reduced. I am, however, very apprehensive, after considering this matter from every angle, and we in South Carolina are large consumers of fertilizers of all kinds, I think we use a million tons. I am also one of the trustees of Clemson College, which is educating some 23,000 boys to be farmers, and I am Chairman of the Fertilizer Board, and therefore I feel not only a state interest but as a farmer a very direct interest in this matter. I myself have not sold any seed, from the scarcity of labor and difficulty of getting cars we have not been able to move it. That situation is more or less general, and I don't want to see a repetition of the conditions which confronted us in last season, when it was impossible to utilize this valuable product both for fertilizer and for food, due to the complicated conditions that came about after the armistice. I don't see how the Government can help us in this matter. I believe it is a matter that we have got to thrash out and help ourselves in. As I said, I am not a manufacturer, I am a consumer, but I believe that the general good will be worked out more speedily under the initiative of our business people and our farmers, and with the farmers at least, I feel that I give expression to their views, and they are not willing to see the price of seed reduced, because that seed is more valuable to them than the matter of purchase of meal. I hope, therefore you will go very slowly indeed before reaching a conclusion to put the price of meal at a figure that will mean a serious reduction in the price of seed; and further, I may say that the only expressions that we have heard with regard to the price of meal from the farmers is that they don't understand why meal should be any higher than

it was last season, when the price of seed is the same--that is, when I left home. Seventy-five dollars has been spoken of as the price, maybe it is, but I would urge upon you the feeling that I am viewing the matter fully appreciative of the desire of the Government to help the situation, looking at it from the standpoint of the farmer and the consuming public and also of those who have money invested, and if you will go very slowly in the matter before you reach a conclusion to reduce the price, you will be doing a good thing.

THE SOLICITOR: I do not believe I quite get definitely your thought; you think we should take no action whatsoever concerning cottonseed meal.

GOVERNOR MANNING: I believe you ought not to take any action; I believe the matter will work out ultimately better than if you do anything in reducing the price of meal; I believe it will reduce the price of seed.

THE SOLICITOR: In other words, the fear of the result in a probable increase in the price of fertilizer would not from a psychological standpoint be so detrimental as the probable decrease in the price of cottonseed.

GOVERNOR MANNING: That is my position.

THE CHAIRMAN: Governor, do you think that is the universal feeling among the farmers of the South, that they would rather face the higher prices of fertilizer than to cut the price that they receive for seed.

GOVERNOR MANNING: I think that is the way they have figured it out. I believe it would meet with violent opposition from the producers.

MR. WEST: You all have not indicated what you were doing in regard to this matter. I believe all the crushers here and all others interested believe that nothing but the highest and best methods will actuate you in any decision you will reach. However, I want to say this, if you all do decide to cut the price of cottonseed meal which will ultimately cut the price of cottonseed, we want you all here to take the responsibility for it and let the farmers of the South know that you are responsible for it; otherwise, we won't go home.

MR. HUTCHINSON of N. C.: I think you agreed there is considerable uncertainty in this matter owing to discussion and I think you should decide it at the earliest possible moment. Could you give any information at this time when a decision will be reached?

THE CHAIRMAN: These matters of course are going to be decided just as soon as a decision can possibly be reached. Certainly within a few days.

MR. TUCKER: I move that we adjourn.

DR. ALSBERG: Would it be desirable to stabilize meal at present prices?

MR. HODSON: If you should stabilize,--I believe I understood your question was, How would it be to stabilize the seed market?

DR. ALSBERG: No, no, no. My question was, would the general effect be if the price of meal was stabilized on about the present basis? That presumably would tend to keep the price of seed where it is unless the oil market changed very fundamentally. The price of seed will go either up or down, according to the way the oil market fluctuates, but I would like to get an idea as to whether it would be desirable.

MR. TUCKER: I am rather inclined to think that any advance in price of oil would result in higher price of seed. Candidly, I believe that the meal market will stay about where it is. I don't know. It is entirely a question. I still do not believe we can use as much meal in fertilizers themselves.

THE CHAIRMAN: I see that you gentlemen are not agreed as to the price of meal today. You differ by some \$20 per ton.

GOVERNOR MANNING: The price of seed, I stated, was different in some states but according to Mr. White it is \$75 in Georgia. In South Carolina it is about \$60.

MR. TUCKER: Answering specifically, the foreign market to a certain extent governs the price of meal. We find that the demand for cake, pretty good a while ago, they are sort of balking at it now. They think the price has gotten rather too high. So it looks as if it were stabilizing itself. There is nothing I can see that you can do,--you could not change the value of any one of the commodities arbitrarily.

THE SOLICITOR: Would the naming of a fair profit on cottonseed meal have much effect on other articles used for feed?

MR. TUCKER: A fair profit on seed?

THE SOLICITOR: I mean on meal.

MR. TUCKER: You have not gotten your basis for a fair profit.

THE SOLICITOR: Let us assume that we have.

MR. TUCKER: I am from Missouri, sir. You must show me that it costs us so much to handle the seed and so much for the oil.

THE SOLICITOR: I know, but just answer this question because it will help us. I think you can realize that these gentlemen have not decided what they are going to do but let us assume we go all wrong as you think we will do, by naming a fair profit,--but let us assume we do it. Will that have any effect on other things used for feed? The price? In other words, will we be interfering with anything but meal?

MR. TUCKER: Yes. Lets assume you put the price of meal at \$55 where it was. I think you would find that England and Scandinavia would buy about 50,000 tons tomorrow and another 50,000 tons the next day. I think you cannot stabilize cottonseed unless you stabilize oil and lint. To stabilize one of the products it does not seem to me a feasible proposition at all. Don't believe it is practical at all.

THE SOLICITOR: Of course you know that under the law this Department has no right to stabilize foods generally. We can only deal with ingredients that go into the fertilizer and the mixed fertilizers themselves.

A VOICE: What actual power do you have under the law?

THE SOLICITOR: We have the power under the law to say that you shall be allowed a fair profit, that is all.

MR. YOUTSEY: If it is manufactured for feeding purposes you could not control it?

THE SOLICITOR: Yes, we could.

MR. YOUTSEY: I thought it was fertilizer.

THE SOLICITOR: We can say that you shall be entitled to a fair profit.

A VOICE: What would that have to do with the price of it?

THE SOLICITOR: It has quite a good deal to do with the price, if you sold it for \$100 a ton as compared with \$50 it would be quite a difference. It is just this, gentlemen, under the law we have the authority to say to you licensees that you shall not charge more than a fair profit.

MR. YOUTSEY: Is that for feed stuffs?

THE SOLICITOR: , That is for any ingredient which goes into the manufacture of fertilizers. In other words, I take the view of the law, of course, I am not all-wise, I am subject to revision by the court, but so far as our action is concerned I believe we would be guided by what I might think the law is, i.e. that we have the power to say that you shall charge no more than a just profit, a fair profit.

MR. SANFORD: I would like to know if under your ruling that an oil mill that does not have a fertilizer plant connected, can pay a different price for seed than a man who is buying seed for fertilizer, provided he does not make a larger profit.

THE SOLICITOR: So far as we are concerned we cannot regulate your price of seed.

MR. SANFORD: Well, you say you can regulate the price for meal that goes into fertilizers and not for feed provided you don't make an unreasonable profit.

THE SOLICITOR: That is my view of the law; it may be wrong; I take the view that if this Department so decides it can say to you gentlemen what would be a fair profit. Then you gentlemen could abide by that or not just as you saw fit.

MR. SANFORD: Does this Department have the power to force me to sell my products for less price than I am paying for seed?

THE SOLICITOR: The Department has authority under the law to say to you that you shall make a just profit and no more.

MR. SANFORD: According to that, what is the use of the conference here; there is nobody making an unjust profit.

THE SOLICITOR: May be not at the present time. We have the conference here to consider the present time and the future.

MR. SANFORD: I am representing the small mill. In all the other interests, even the large interests, the prices you have indicated on the cottonseed meal would wipe out 25 per cent of my capital stock.

THE SOLICITOR: What would be a fair price under the present circumstances?

MR. SANFORD: I refused \$68 for cottonseed meal because I do not think it was enough to give me a fair profit on cottonseed at the present market.

THE SOLICITOR: Will you give us your figures on production?

MR. SANFORD: I cannot give you anything except the total cost.

THE SOLICITOR: Have you given them in; have you itemized them? I would like to see your itemized figures.

MR. SANFORD: I think you will find those figures in the Food Administration records.

THE SOLICITOR: Could you give them to us?

MR. SANFORD: No sir.

THE SOLICITOR: Could you get them?

MR. SANFORD: Yes sir, I can figure them out all right, sir. We are basing our prices today on 41 gallons of oil at the market value of say 17 cents.

THE CHAIRMAN: We would be glad to have any of you gentlemen file your cost production figures so that we would have all the information we can possibly get.

MR. SANFORD: If I am to expect to have my property confiscated, where I have no large reserve, I have to get out of the market; I have to quit business if we expect control like that.

MR. BOWKER: I would like to ask one question of Governor Manning, which addresses itself to the cost of mixed fertilizers; that is to say, while not yielding any right on your part of control, your concern is addressed chiefly to the fertilizer question. I would like to ask of Governor Manning, who has told us that he is Trustee of Clemson College and Chairman of the Fertilizer Control Committee, whether at any time during the war he has heard any complaint on the part of any sound farmer as to the prices being charged by any fertilizer manufacturer?

GOVERNOR MANNING: No, sir, I don't recall any case. Of course we don't have that phase of it presented to us, we are charged with the inspection and analysis of fertilizers and that phase of it is the one that comes primarily to us; but of course we are in touch with the farmers in the state and the truth is that during the war our people felt that there was but one business and that was the war, and if the Government had said that they required us to give cottonseed I believe they would have come across.

MR. HUTCHINSON: Mr. Williams said they were fixing the prices for next year under the Food Control Act; now, the goods were delivered for next December, does that fix the prices for next summer?

THE SOLICITOR: That is a question of law. According to my idea, under the Food Control Law as it originally stood, when the peace proclamation comes our licensing power is at an end; there might be a different view, it is my opinion, that this Department would have no authority over you gentlemen the day after peace is formally proclaimed by the President.

MR. HUTCHINSON: I know, but our goods are delivered next summer.

THE SOLICITOR: So far as this Department is concerned, it is my opinion that we have no control over you after the peace proclamation is formally made.

MR. HUTCHINSON: Under that Act have you any control of any one who has no license under the Agricultural Department.

THE SOLICITOR: Well, if you gentlemen are willing to cooperate it will not be necessary to require you to secure a license. However, the proclamation of the President requires you to take a license as a manufacturer of fertilizer; I know that some of you today are doing business without a license, but we expect to get your cooperation.

MR. HUTCHINSON: I understand; we are going to cooperate; I was just asking that question.

THE SOLICITOR: You gentlemen were licensed under the food control law by the Food Administration. Having been licensed by the Food Administration, you could be controlled under that license, as manufacturers of a fertilizer ingredient, as well as a manufacturer of an article that goes into food. The Food Administration released you, however; but there is another proclamation which requires you to take out a license as a fertilizer manufacturer or a manufacturer of an ingredient of fertilizer. You have never been called on formally for that application, but today I might say that, in my opinion, you today are technically violating the law.

MR. HUTCHINSON: The mills that operate and make cottonseed meal without a license?

THE SOLICITOR: Yes.

MR. HUTCHINSON: You understand that on account of the situation we are under uncertainty as to what you are going to do. It is going to have an effect on the financial interest of the farmer and merchant, somebody is going to suffer a loss, Mr. Williams, because the price of nitrate of soda is going to be lowered in the south in less than 48 hours because they can't afford to take this article, as Mr. Youtsey has explained, they can't afford to take very much more of a load.

THE SOLICITOR: Professor Whitney has told you that the Department will act as soon as it can. However, take this thought away with you, that all of us will try to do just what is right. If we make a mistake, it will be a mistake of the head and not the heart.

MR. YOUTSEY: I believe that the same impression is made on the balance of us as on me, I think myself that I am going to be mighty careful about paying the present price for cottonseed until definite word comes from here. Do not misunderstand me, I

am not holding that as any threat against you to force a decision, I am simply saying that on account of the uncertainty I am going to have to keep the weight off until some definite decision is made on your part. I would like to have an expression from all the others here as to whether the meeting has had that impression on them, for my own good.

THE SOLICITOR: I hope you gentlemen will be circumspect in whatever you do. You know there has been recently a serious decline in the price of live stock. It has been stated that the decline was brought about by the packers for the influence it might have on Congress, I don't know whether those reports are true but I just advise you gentlemen, for your own benefit, to be circumspect; don't create any false impression about yourselves, just be careful and just realize that we are going to try to do whatever is best to be done, and will act as quickly as we can.

MR. YOUTSEY: We would express our attitude, to be perfectly frank, this way: Until the Department of Agriculture in Washington has made up their mind what they are going to do relative to this stabilizing, we will not pay this present price for seed; I mean, pardon me for saying so, but you are throwing the responsibility on us.

THE SOLICITOR: So far as I am concerned, no such action or threat would hasten matters. You gentlemen just be circumspect and realize that whatever we do will be, so far as we can determine, the best thing.

MR. TUCKER: Dr. Whitney has indicated this morning that his purpose before we came to Washington was to get the same parity of prices as between meal and those mineral fertilizer ingredients. Now, what attitude can we take until we have some expression of opinion from you: I believe you gentlemen have made up your minds, and could meet and settle it in half an hour, and I think you ought to; and candidly I don't believe we are making a fertilizer material, we are making a food product. You can use corn, wheat, anything, for fertilizer if you put it in the ground. I believe your attitude has been, up to this morning, possibly, that cottonseed meal was a by-product. It is not, it is a food product, that foreign countries are very anxious to get from us for food. I think it is only fair to us and fair to the farmer that you give us a decision, and I think it would be well to give it to us today. We are not acting in our personal interests, we have a lot of stockholders to look after and take care of; that is the business view of it; we have responsibilities to those people. Now, we can't assume the responsibility, as you say; it may be necessary for us to do something radical or which would prove radical. The cottonseed oil industry last year, I understand, as acting for Mr. Hoover, carried out their program better than any other industry in the country. We want to keep up that good record, we want to help the Government; but it is a little dangerous to hear Dr. Whitney's first

remarks this morning. We don't know what is in your mind; I think you should take the broad stand that it is not a fertilizer ingredient, it is a food product.

GOVERNOR MANNING: Mr. Chairman, I think that there is a good deal of danger in this situation. I think that you have called this conference so as to obtain information and to secure cooperation between manufacturers of these products; I believe that you have had impressed on your mind the necessity of removing any doubt in the mind of the trade and the people as to what the action will be, and I believe that you are going to exercise all possible diligence and speed in reaching a decision. You have had facts presented to you here, and I think it is only fair, gentlemen, to the Department to say that they should have time to go over those matters and to digest them. I do feel that anything you can do to expedite this and bring a decision will be wise and helpful, but I want to say to these gentlemen who are manufacturers that we are in a state of great unrest, and the public mind is susceptible to impressions and it behooves us as citizens to sit steady and do everything that we can to quiet the unrest and uneasiness of the public; and I appeal therefore to you not to take any drastic action, not to give out any statement to your buyers and so on that will cause doubt among our people, but rather, assure them that you are trying to work with the Department in order to bring about a wise and proper solution of this trouble. I appeal to you on that ground. (Applause).

THE CHAIRMAN: Are there any further remarks? If not I move the session adjourn. Before that, I would like to ask if any of the phosphate men who went over to the Railroad Administration would care to make a statement.

GOVERNOR MANNING: Mr. Chairman, I went with them and can say to you that we had a very sympathetic and attentive hearing, and facts were presented there to them which I am sure will look well to them; and I believe they were impressed. Twenty-eight men went over there, Mr. French made a statement as to the needs of his company, and a suggestion was made by Mr. Kendal that the different companies who were engaged in mining phosphate rock should present their matters through Mr. Taylor here, so that they would have daily reports of the needs, as those needs will be increasing needs as the greater part of the men return to work. We felt satisfied that he was going to do everything in his power to relieve the situation and we feel that he realizes the importance of it, even over other industries.

THE CHAIRMAN: Gentlemen, I wish to express my gratification at the attendance and the cordial way in which you have met the Department in this matter. Perhaps I might say that I am a little bit disappointed that there was no more evidence of helpfulness in some material way. You have not suggested any methods by which the matter could be adjusted except by leaving it alone. It does seem as if the time had come that these things should begin to get back

to their normal condition, and I had hoped that some suggestions to that end would come. However, we are very much obliged to you for having given your time and attention, and want to assure you, as the Solicitor has said, that we will give this very careful consideration. We are aware of the many intricacies that are involved in the whole question, the materials that go into fertilizers the fertilizers themselves, the interests of the manufacturers in these materials and the mixed fertilizers, and I think it has been a very good thing that we have met; that we have seen your side, and difficulties that you are up against, and that you have seen some of the intricacies and the difficulties that this Department is in. We thank you very much for your attendance.

